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FOSTER PEPPER PLLC

STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION

IN THE MATTER OF DETERMINING
whether there has been a violation
of the Securities Act of Washington by:

Adams Financial Concepts, LLC,
Alexander Michael Adams,
Respondents.

NO. S-13-1221-14-CO01

SWORN STATEMENT

Alexander Michael Adams being first duly sworn under oath deposes and states:

1. I declare that, to the best of my knowledge and belief, the information contained in this Sworn Statement is true, correct and complete. I have personal knowledge of and am competent to testify to the matters stated herein. Any capitalized terms not otherwise defined herein shall have the meanings given to them in the Consent Order.

2. I am a registered investment adviser representative and one of the Respondents in this action. I am also the managing member and sole owner of Adams Financial Concepts, LLC, a Washington limited liability company (hereinafter, "AFC"), the other Respondent in this action. From May 2005 to present, I served as a registered investment adviser representative for AFC.

3. The Respondents disclosed orally to the four limited partners ("Investors A, B, C and D) of Adams Financial Partners, L.P. (hereinafter, "Adams Financial Partners" or "the fund") material conflicts of interest between Adams, the managing member of AFC, and Adams Financial Partners, as described in this Sworn Statement.

4. I orally disclosed to Investor A when documents were signed in late 2005 there would be a portion of funds invested in real estate. I further orally disclosed to Investor A in early 2006 a loan was being made from Adams Financial Partners that would be used to fund in

1 part the purchase and development of the Torvel Canyon (Liberty Bay) property. I did not name
2 Schipper as the borrower. I orally disclosed the loan to Investors B and C, but did not mention
3 the name Schipper. I orally disclosed the loan to Investor D in early 2007 at the time the
4 documents were signed.

5 5. I disclosed orally to fund investors that Mike Adams and Mitch Adams, my son,
6 were both involved and would personally profit from the development of the Torvel Canyon
7 (Liberty Bay Landing) property. These oral discussions took place at or near the time Investors
8 B, C and D each signed the fund's Limited Partnership Agreement, and with respect to Investor
9 A, after Investor A signed the fund's Limited Partnership Agreement.

10 6. I disclosed orally to fund investors that additional loans were made by the fund
11 for use in the Liberty Bay property in 2007.

12 7. I disclosed to the fund investors that Harold N. Fergusson, who had a resume
13 showing over 20 years developing multiple properties, was the developer to the Torvel Canyon
14 (Liberty Bay Landing) project. I disclosed that Mitch Adams upon his return from London in
15 March 2007 would be working with Harold Fergusson on both projects. I did not disclose that
16 Community Contract Renovations was removed as developer on April 27, 2007 even though Hal
17 Fergusson was still involved in the development of the properties. I disclosed orally to fund
18 investors in late 2007 or early 2008 that Mitch Adams was the developer of the properties.

19 8. I disclosed orally to fund investors A, B, and C in late 2006 that the fund intended
20 to make a loan for the purpose of purchasing and making builder ready the Harbor Lights
21 project. I disclosed that this loan was made when Investor D signed documents in May 2007.

22 9. I disclosed orally to the fund investors that the loan made for the purpose of
23 developing Harbor Lights was made to an entity affiliated with Mitch Adams.

24 10. The Stonecreek promissory note issued by Stonecreek and related transactions
25 were disclosed orally to fund investors around the time the loan was made in September 2008.
26

1 Further, I disclosed the original \$50,000 note was a very small part of the \$2.4 million total
2 financing.

3 11. I disclosed orally at the time I disclosed the loans around June 2007 to the fund
4 investors that the Stonecreek note was personally guaranteed by Mike Adams and Mitch Adams.

5 12. No additional moneys were invested by the fund in Stonecreek in exchange for
6 the promissory note addendum.

7 13. From 2011 through 2013, AFC borrowed in the aggregate \$202,633 from Adams
8 Financial Partners. AFC borrowed these moneys from \$158,607 in incentive fees owed by the
9 Adams Financial Partners to AFC, and \$75,000 in cash contributed by AFC to Adams Financial
10 Partners.

11 14. Mike Adams made additional withdrawals in the aggregate amount of \$130,130
12 from Adams Financial Partners.

13 15. The promissory notes for Liberty Bay were amended in January 2013 and the
14 promissory notes for Harbor Lights were amended in December 2011 to increase the amount
15 payable under each of these promissory notes.

16 16. Neither AFC nor Mike Adams have any ownership interest in Poulsbo BOM
17 Developers, LLC, Schipper LLC, Eton Development, or Harbor Lights Development, LLC.
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19
20 SIGNATURE PAGE FOLLOWS
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1 I SWEAR UNDER PENALTY OF PERJURY OF THE LAWS OF THE STATE OF
2 WASHINGTON THAT THE FOREGOING IS TRUE AND CORRECT.

3 SIGNED this 20th day of February, 2014, in Seattle, WA.

4
5 ADAMS FINANCIAL CONCEPTS, LLC

6
7 By: _____

8 A. Michael Adams, Manager

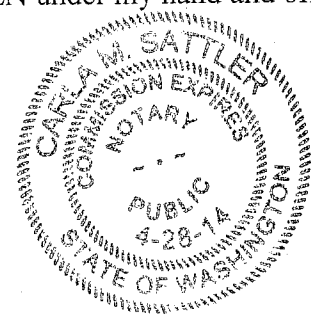
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10 _____
11 Alexander Michael Adams, Individually

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STATE OF WASHINGTON)
) ss.
COUNTY OF KING)

On this day personally appeared before me Alexander Michael Adams, to me known to be a Manager of the Adams Financial Concepts, LLC, the limited liability company that executed the within and foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said limited liability company, for the uses and purposes therein mentioned, and on oath stated that said individual is authorized to execute said instrument.

GIVEN under my hand and official seal this 20th day of February, 2014.



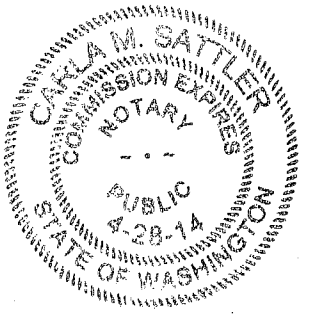
Carla M. Sattler
Carla M. Sattler

(Print name of notary)
NOTARY PUBLIC in and for the State of
Washington, residing at Clinton, WA
My commission expires 4-28-2014

STATE OF WASHINGTON)
) ss.
COUNTY OF KING)

On this day personally appeared before me Alexander Michael Adams, to me known to be the individual described in and who executed the within and foregoing instrument, and acknowledged to me that he signed the same as his free and voluntary act and deed for the uses and purposes therein mentioned.

GIVEN under my hand and official seal this 20th day of February, 2014.



Carla M. Sattler
Carla M. Sattler

(Print name of notary)
NOTARY PUBLIC in and for the State of
Washington, residing at Clinton, WA
My commission expires 4-28-2014

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**STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION**

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IN THE MATTER OF DETERMINING
whether there has been a violation
of the Securities Act of Washington by:

Adams Financial Concepts, LLC,
Alexander Michael Adams,
Respondents.

NO. S-13-1221-14-CO01

CONSENT ORDER

THE STATE OF WASHINGTON TO: Adams Financial Concepts, LLC (IARD #134545)
Alexander Michael Adams (CRD #1492147)

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INTRODUCTION

Pursuant to the Securities Act of Washington, RCW 21.20, the Securities Administrator of the Securities Division of the Department of Financial Institutions (“Securities Division”) and the Respondents, Adams Financial Concepts, LLC and Alexander Michael Adams (“the Respondents”), do hereby enter into this CONSENT ORDER in the settlement of the matters alleged herein. Respondents neither admit nor deny the Findings of Fact and Conclusions of Law as stated below.

FINDINGS OF FACT

Respondents

1. Adams Financial Concepts, LLC (“AFC”) is a Washington limited liability company that was formed on December 28, 2004. AFC is a Washington registered investment

1 adviser. AFC was initially registered as an investment adviser with the state of Washington in
2 August 2005. In August 2007, AFC became a federally registered investment adviser. In June
3 2008, AFC again became and has continued to be a Washington registered investment adviser.
4 AFC's principal place of business is located in Seattle, Washington.

5
6 2. Alexander Michael Adams ("Adams") is a Washington registered investment
7 adviser representative. Adams has been an investment adviser representative since 1992. From
8 May 2005 to present, Adams has been a registered investment adviser representative for AFC.
9 Adams is also the managing member and the sole owner of AFC.

10 Related Company

11 3. Adams Financial Partners, L.P. (hereinafter, "Adams Financial Partners" or "the
12 fund") is a private investment fund that was formed as a Washington limited partnership on
13 September 23, 2005. AFC is the managing member of Adams Financial Partners. In addition to
14 investing in publicly traded stocks, Adams Financial Partners invested in several promissory
15 notes that were issued by closely held companies related to Adams. The promissory notes were
16 to be repaid from three real estate development projects for properties located in Kitsap County,
17 Washington.

18 Fiduciary Duty to Clients

19
20 4. As set forth in WAC 460-24A-220, an investment adviser "is a fiduciary and has
21 a duty to act primarily for the benefit of its clients. In particular, under WAC 460-24A-220(11),
22 it is a dishonest or unethical practice for an investment adviser to fail "to disclose to clients in
23 writing before any advice is rendered a material conflict of interest which could reasonably be
24 expected to impair the rendering of unbiased and objective advice." AFC repeatedly failed to
25 advise the limited partners in Adams Financial Partners in writing about material conflicts of
26

1 interest between Adams, the managing member of AFC, and Adams Financial Partners. As
2 described below, Adams acted primarily for his own interest and his son's interest, instead of the
3 best interest of his client, Adams Financial Partners, and its limited partners.
4

5 Offer and Sale of Limited Partnership Interests in Adams Financial Partners
6

7 5. Between December 2005 and June 2007, Adams offered and sold limited
8 partnership interests in Adams Financial Partners to four Washington investors ("fund
9 investors") who were also investment advisory clients of AFC. The limited partners invested
10 approximately \$500,000 each, for a total of approximately \$2 million, in Adams Financial
11 Partners. Each fund investor had a net worth greater than \$1 million when they invested. The
12 investors expected to earn a profit from the pooling of their funds. The four fund investors
13 comprise all of the limited partners in Adams Financial Partners. The fund investors relied on
14 Adams and AFC to generate a return on the investments. AFC charged Adams Financial
15 Partners a management fee and a performance fee for managing the fund's assets.
16

17 6. According to the Limited Partnership Agreement, dated October 17, 2005 (the
18 "Limited Partnership Agreement"), the fund's initial purpose was to invest or trade in securities.
19 Adams represented that he would use his expertise and experience in the securities industry to
20 generate a profit for fund investors using a "long/short" trading strategy.
21

22 7. The Private Placement Memorandum, dated November 7, 2005 ("Private
23 Placement Memorandum"), stated that AFC, the General Partner of the fund, was authorized to
24 lend money or borrow money from entities in which the AFC or one or more of its affiliates
25 serves as a manager, sponsor, administrator, investment adviser or otherwise, provided that such
26 arrangements are disclosed within 90 days of consummation. The Private Placement

1 Memorandum also stated that AFC, as the General Partner, was authorized to enter into
2 transactions with other entities controlled by AFC, even if such transactions were not negotiated
3 at arms-length.

4 8. In December 2005, Adams sold his first \$500,000 limited partnership interest in
5 Adams Financial Partners. In January 2006, contrary to what he represented in the fund's
6 Limited Partnership Agreement, Adams used 40% of the initial investor's funds (\$200,000) to
7 purchase an unsecured promissory note issued by Schipper, L.L.C. After purchasing this first
8 Schipper, L.L.C. note, Adams sold a total of approximately \$1.5 million worth of limited
9 partnership interests in Adams Financial Partners to three other investors.
10

11 Failure to Disclose Material Information Regarding the \$200,000 Promissory Note Investment

12 9. When offering and selling limited partnership interests in Adam Financial
13 Partners, the Respondents failed to disclose within 90 days of completing the loan to Schipper,
14 L.L.C. material information to fund investors concerning the \$200,000 Schipper, L.L.C.
15 promissory note (the "Schipper Note"), as required by the fund's Private Placement
16 Memorandum. The Respondents, in a sworn statement filed with the Securities Division (the
17 "Sworn Statement") assert that the Schipper Note was disclosed orally to fund investors.
18 However, no written disclosure regarding the Schipper Note was provided to fund investors at
19 the time of their investment.
20

21 10. Specifically, the Respondents failed to disclose in writing to fund investors that
22 Adams and Adams's son were both members of Schipper, L.L.C. when the investment was
23 made. The Respondents failed to disclose that at the time the promissory note was purchased by
24 the fund it was unsecured, did not have a fixed due date, and was a balloon payment promissory
25 note with no periodic interest payments. The Respondents failed to disclose Schipper, L.L.C.'s
26

1 operating history or provide any financial information for Schipper, L.L.C. The Respondents
2 also failed to disclose that there was no market for trading the note and that it could not be
3 readily resold.

4 11. The Respondents failed to disclose to fund investors that the \$70,000 interest on
5 the investment was to be paid from revenues earned by a different company, Poulsbo BOM
6 Developers, LLC. The Respondents failed to disclose that company's operating history or
7 provide any financial information regarding the company, or disclose in writing that Adams had
8 a financial interest in the Liberty Bay project. The Respondents failed to disclose that Schipper,
9 L.L.C. was a minority member in Poulsbo BOM Developers, LLC. The Respondents represented
10 to fund investors that the Schipper Note would be repaid through the development of a
11 condominium project known as Liberty Bay Landing.
12

13 12. The Respondents each failed to disclose to fund investors the risks of real estate
14 development activities. The Respondents failed to disclose the general risks of developing real
15 property, including inadequate capitalization, economic and market risks, regulatory risks,
16 environmental risks, and operational risks. The Respondents also failed to disclose specific risks
17 about the Liberty Bay Landing project, including the projected costs of the project, the
18 development requirements from the City of Poulsbo, and the identity, prior experience, and
19 project history of the developer.
20
21

22 Misleading Quarterly Reports to Fund Investors

23 13. From 2006 to 2008, Adams Financial Partners sent quarterly reports to fund
24 investors. The reports incorrectly described the \$200,000 promissory note investment as a "real
25 estate investment trust" that was owned by Poulsbo One, LLC. Adams and AFC each failed to
26

1 disclose in writing to fund investors that Poulsbo One, LLC was never legally formed and did
2 not own any real property.

3 14. Adams Financial Partners had audited financial statements for 2006. Those
4 statements reclassified the \$200,000 "real estate investment trust" investment as a loan
5 receivable. However, the 2006 audited financial statements were not completed and delivered to
6 the limited partners until June 2008.
7

8
9 Failure to Disclose Material Information When
10 Purchasing Additional Promissory Note Investments

11 *Purchase of Additional Schipper, L.L.C. Promissory Note Investments*

12 15. In 2007, Adams Financial Partners purchased two additional promissory note
13 investments issued by Schipper, L.L.C. The first promissory note was dated July 2, 2007 and
14 had a principal amount of \$103,000 with 4.5% annual interest. The second promissory note was
15 dated August 12, 2007 and had a principal amount of \$45,000 with 5% monthly interest in an
16 amount not to exceed \$18,000.
17

18 16. When purchasing the additional promissory note investments, the Respondents
19 failed to disclose to fund investors material information regarding the transactions within 90 days
20 of the investment as required by the Private Placement Memorandum. In the Sworn Statement,
21 the Respondents assert that the promissory notes issued by Schipper, L.L.C. were disclosed
22 orally to fund investors. However, no written disclosures regarding these promissory notes were
23 provided to fund investors within the required 90 day period after each promissory note
24 investment was made.
25
26

1 17. Among other things, the Respondents failed to disclose the company's operating
2 history or any financial information regarding Schipper, L.L.C. The Respondents failed to
3 disclose that both of the notes were balloon payment promissory notes with no fixed due date
4 and no periodic interest payments. The Respondents failed to disclose that there was no market
5 for trading the notes and the notes could not be readily resold.

6
7 18. The Respondents failed to disclose that Adams's son was by then the sole
8 member and 100% owner of Schipper, L.L.C. The Respondents failed to disclose in writing that
9 Adams's son was the developer for the Liberty Bay Landing real property. The Respondents
10 failed to disclose that, although Adams's son had participated in a European real estate venture,
11 he had no prior real estate development experience in the United States. The Respondents also
12 failed to disclose that the promissory notes were unsecured at the time the promissory notes were
13 purchased by the fund. The Respondents failed to disclose that Schipper, L.L.C. was a minority
14 member in Poulsbo BOM Developers, LLC, and the company that owned the land to be
15 developed.

16
17 19. In the 2008 audited financial statements for Adams Financial Partners,
18 management stated that the fair value of the land to be developed for Liberty Bay Landing was
19 \$635,000, as of December 31, 2008. The Respondents failed to disclose that this amount was
20 less than a \$700,000 note and deed of trust granted to Pacific First Financial, Inc., which
21 encumbered the land.

22
23 20. In January 2013, Adams signed a promissory note addendum on behalf of Adams
24 Financial Partners, which increased the amount of principal and interest that was due for the
25 Schipper, L.L.C. promissory notes that were previously issued in 2006 and 2007. The interest
26 and rate of return was changed to require Schipper, L.L.C. to "pay an interest and principal total

1 for the three promissory notes of \$650,000 plus one half of the profits due Schipper, LLC of the
2 build out of the property.” However, before signing the addendum, the Respondents failed to
3 disclose to fund investors the financial condition of Schipper, L.L.C. The Respondents failed to
4 disclose the projected cost of building out the property and the source of funds for completing
5 the build-out.

6
7 *Purchase of Eton Developments, LLC Promissory Note Investments*

8 21. In 2007, the fund purchased a \$161,419 promissory note investment from Eton
9 Developments LLC (“Eton”), which was supposed to be repaid through the development of a
10 mixed-use condominium and retail/commercial project known as Harbor Lights.

11 22. When purchasing the investment, the Respondents failed to disclose material
12 information to fund investors within 90 days after making the loan to Eton, as required under the
13 Private Placement Memorandum. In the Sworn Statement, the Respondents assert that the Eton
14 promissory note was disclosed orally to fund investors. However, no written disclosure
15 regarding the Eton promissory note was provided to fund investors within the required 90 day
16 period. The Respondents failed to disclose that Eton was 100% owned by Adams’s son, and
17 failed to provide the operating history or any financial information regarding Eton. The
18 Respondents failed to disclose to fund investors that the note had no fixed due date and was a
19 balloon payment promissory note with no periodic interest payments. The Respondents further
20 failed to disclose that there was no market for trading the note and that it could not be readily
21 resold.

22
23
24 23. The Respondents also failed to disclose material information regarding the Harbor
25 Lights property. The Eton note was due and payable “at the time of the sale of the property
26 owned by Harbor Lights Development, LLC commonly known as Harbor Lights.” Respondents

1 failed to disclose to fund investors that the Eton note was unsecured at the time the Eton note
2 was purchased by the fund. The Respondents failed to disclose in writing that Adams and
3 Adams's son each had an ownership interest, through their holdings in affiliated companies, in
4 Harbor Lights. Adams and AFC each failed to disclose that Eton was a minority member in
5 Harbor Lights. Adams and AFC each failed to disclose that while the property was purchased by
6 Harbor Lights in November 2006 for \$1,457,000, it was subject to a \$600,000 note and deed of
7 trust to the seller of the property.
8

9 24. The Respondents failed to disclose to fund investors the general risks of real
10 property development, including inadequate capitalization, economic and market risks,
11 regulatory risks, environmental risks, and operational risks. The Respondents also failed to
12 disclose to fund investors the specific risks of developing the Harbor Lights mixed-use
13 condominium and retail/commercial project, including the projected development costs, the
14 development requirements from the City of Poulsbo, and the identity, prior experience, and
15 project history of the developer.
16

17 25. In December 2011, Adams signed a promissory note addendum on behalf of
18 Adams Financial Partners, which changed the amount of interest that was due on the Eton note.
19 The interest and rate of return was changed from an initial return of 35% per annum up to a
20 maximum of \$100,000, to interest "at 35% per annum up to the full amount due to Eton
21 Developments, LLC or \$500,000 whichever is the lesser from the Harbor Lights project."
22

23 26. Prior to signing the addendum, the Respondents failed to disclose to fund
24 investors the financial condition of Eton. Before signing the addendum, the Respondents also
25 failed to disclose the projected cost of building out the property, the source of funds for
26

1 completing any build-out, and the basis for calculating any amount that would be due to Eton
2 from the Harbor Lights project.

3 *Purchase of Stonecreek Land Development, LLC Promissory Note Investments*

4 27. In September 2008, Adams Financial Partners purchased a \$50,000 promissory
5 note issued by "Stonecreek, LLC" and signed by Adams and by Adams's son. The note
6 incorrectly identified the borrower as "Stonecreek, LLC", instead of Stonecreek Land
7 Development, LLC. The Respondents failed to disclose that Adams and Adams's son owned
8 100% of the membership interests in Stonecreek Land Development, LLC ("Stonecreek"), a
9 Washington limited liability company that was formed in 2007, within 90 days of the fund's
10 investment in Stonecreek as required under the Private Placement Memorandum.
11

12 28. In their Sworn Statement, the Respondents assert that the promissory note issued
13 by Stonecreek was disclosed orally to fund investors. However, no written disclosure regarding
14 the Stonecreek promissory note was provided to fund investors within the required 90 day period
15 after the promissory note investment was made.
16

17 29. When purchasing the \$50,000 Stonecreek promissory note, the Respondents
18 failed to disclose Stonecreek's operating history or provide any financial information regarding
19 Stonecreek. Adams and AFC each failed to disclose to fund investors that the balloon payment
20 promissory note was "due and payable at the time of final plat of the Stonecreek Property,"
21 which might never occur. Adams and AFC each failed to disclose that the return on the note was
22 5% that was payable "upon or before the final plat of the Stonecreek Property," which might
23 never occur. Adams and AFC each failed to disclose that an additional \$25,000 was to be paid
24 "from profits if the Adams' are successful in obtaining a loan under favorable conditions to build
25 out the property," which might never occur.
26

1 30. Before purchasing the \$50,000 Stonecreek investment, the Respondents failed to
2 disclose in writing to fund investors that in 2007, Stonecreek had purchased the land to be
3 developed from another LLC in which Adams had an ownership interest. The Respondents
4 failed to disclose to fund investors that the Stonecreek note was unsecured. Further the
5 Respondents failed to disclose the Stonecreek property received \$2.4 million in financing,
6 including the \$50,000 Stonecreek note.
7

8 31. In August 2009, Adams sent a letter to fund investors, stating that a bank was
9 preparing to foreclose on the Stonecreek property. Adams represented to fund investors that the
10 \$50,000 Stonecreek loan was “fully and personally guaranteed by me and there will be no loss to
11 the partners of Adams Financial Partners.”
12

13 32. In October 2009, Adams and his son signed a promissory note addendum for the
14 \$50,000 Stonecreek promissory note. Adams increased the value of the promissory note to
15 \$72,000, with funds to be forwarded to Stonecreek. No additional moneys were invested by the
16 fund in Stonecreek in exchange for the promissory note addendum. Before signing the
17 addendum, the Respondents failed to disclose to fund investors the risks of the additional
18 promissory note investment.
19

20 Purchasing Restricted Penny Stock

21 33. In March 2010, Washington Federal Savings Bank reacquired title to the
22 Stonecreek land and eliminated any real property interest that was held by Stonecreek.

23 34. In August 2009, Adams personally guaranteed the repayment of the Stonecreek
24 promissory note. To honor his guarantee, Adams later made an agreement to buy restricted
25 penny stock from his son at a discount from the market price. Adams represented that the stock
26 purchase would pay a return of \$72,000 for the Stonecreek investment.

1 35. Pursuant to an agreement dated April 30, 2013, Adams Financial Partners
2 purchased 400,000 shares of International Display Advertising, Inc. stock (symbol: IDAD) at 41
3 cents per share, for a total of \$164,000. The stock was purchased at a discount of 26 cents per
4 share from the market price (\$0.67 per share) on the date of the agreement.

5 36. The Respondents failed to disclose to fund investors that the stock was restricted
6 and could not be publicly traded until April 25, 2014. The Respondents further failed to disclose
7 that the stock could decrease in price, and that there was no assurance that the \$72,000
8 promissory note would ever be repaid.

9
10 Failure to Provide Audited Financial Statements

11 37. Pursuant to WAC 460-24A-107, investment advisers that have custody of funds
12 held by a pooled investment vehicle must comply with certain additional safekeeping
13 requirements. As indicated on its Form ADV, AFC agreed to provide audited financial
14 statements to all of the fund's limited partners within 120 days of the limited partnership's fiscal
15 year-end. Although AFC engaged an independent auditor to issue the audited financial
16 statements, AFC failed to deliver audited financial statements for Adams Financial Partners for
17 2009, 2010, 2011, and 2012.

18
19 *Unauthorized Payment of Capital Calls*

20 38. Between 2009 and 2013, Adams received three capital call letters on behalf of
21 Harbor Lights Development, LLC. All of the letters were signed by Adams's son and were
22 addressed to Adams personally. In spite of the fact that Adams Financial Partners had no
23 obligation to respond to the capital calls, Adams withdrew a total of \$26,000 from the fund to
24 pay for capital calls from Harbor Lights Development, LLC. Although Adams Financial
25 Partners did not have any ownership interest in Harbor Lights Development, LLC and had no
26

1 obligation to pay their capital calls, Adams borrowed money from his client, Adams Financial
2 Partners, to pay for his own and/or his son's obligations to pay capital calls from Harbor Lights
3 Development, LLC. The Respondents failed to disclose this capital call within 90 days of its
4 funding as required under the Private Placement Memorandum.

5
6 39. Similarly, in 2012, Adams personally received a capital call letter from Poulsbo
7 BOM Developers, LLC that was signed by Adams's son. In December 2012, Poulsbo BOM
8 Developers, LLC issued a capital call letter that was addressed to Adams personally. Adams
9 withdrew \$25,000 from Adams Financial Partners to pay the capital call. Adams Financial
10 Partners did not have an ownership interest in Poulsbo BOM Developers, LLC and had no
11 obligation to pay their capital call. Adams borrowed money from Adams Financial Partners to
12 pay for his own and/or his son's obligation to pay a capital call from Poulsbo BOM Developers,
13 LLC. The Respondents failed to disclose this capital call within 90 days of its funding as
14 required under the Private Placement Memorandum.

15
16 *Promissory Note Transactions*

17 40. The Respondents, in their Sworn Statement, assert that the fund had accrued and
18 owed AFC \$158,607 in incentive fees and that AFC made a cash capital contribution of \$75,000
19 to the fund.

20
21 41. According to their Sworn Statement, the Respondents, from 2011 through 2013,
22 borrowed in the aggregate \$202,633 from Adams Financial Partners, a client of AFC, and issued
23 balloon payment promissory notes to the fund to memorialize the transactions. The Respondents
24 failed to disclose to fund investors in writing the nature of these transactions within 90 days of
25 each borrowing, as required under the Private Placement Memorandum.

1 *Additional Payments for Real Estate Projects*

2 42. Adams made additional withdrawals in the aggregate amount of \$130,130 from
3 Adams Financial Partners. Although the promissory notes for Liberty Bay were amended in
4 January 2013 and the promissory notes for Harbor Lights were amended in December 2011 to
5 increase the amount payable under each of these promissory notes, the Respondents failed to
6 disclose potential conflict of interest transactions in writing to the fund investors as required
7 under the Private Placement Memorandum.
8

9 43. Between 2009 and 2013, Adams withdrew \$46,000 from Adams Financial
10 Partners to pay Poulsbo BOM Developers, LLC.

11 44. Between March 2010 and May 2012, Adams withdrew a total of \$57,250 for
12 payments to Pacific First Financial, Inc., for its \$700,000 loan that was secured by the Liberty
13 Bay Landing property.
14

15 45. Between 2010 and 2012, Adams withdrew a total of at least \$26,880 from Adams
16 Financial Partners on five occasions to pay Harbor Lights Development, LLC. There was no
17 obligation for Adams Financial Partners to make these payments.

18 Based upon the above Findings of Fact, the following Conclusions of Law are made:

19 **CONCLUSIONS OF LAW**

20 1. As set forth in the Findings of Fact, the offer and sale of the limited partnership
21 interests and the promissory note investments described above constitute the offer and sale of a
22 security, as defined in RCW 21.20.005(14) and RCW 21.20.005(17).
23

24 2. As set forth in the Findings of Fact, in connection with the offer and sale of
25 limited partnership interests in Adams Financial Partners, LLC and the purchase of the Schipper
26 Note issued by Schipper, L.L.C., the Respondents each violated RCW 21.20.010, by omitting to

1 state a material fact necessary in order to make the statements made, in light of the circumstances
2 under which they were made, not misleading.

3 3. As set forth in the Findings of Fact, while receiving consideration for advising
4 another person as to the value of securities or their purchase or sale, AFC violated RCW
5 21.20.020, by engaging in an unethical practice for an investment adviser.
6

7 4. As set forth in the Findings of Fact, AFC violated WAC 460-24A-107, the
8 additional custody requirements for an investment adviser that manages a pooled investment
9 vehicle, by failing to provide copies of the annual audited financial statements of Adams
10 Financial Partners, L.P. to the limited partners within 120 days of the limited partnership's fiscal
11 year-end.

12 5. As set forth in the Findings of Fact, AFC violated WAC 460-24A-220(11) by
13 failing to disclose to clients in writing before any advice was rendered any material conflict of
14 interest relating to the adviser or any of its employees which could reasonably be expected to
15 impair the rendering of unbiased and objective advice.
16

17 6. As set forth in the Findings of Fact, AFC violated RCW 21.20.010, RCW
18 21.20.020, and WAC 460-24A-107, in violation of RCW 21.20.110(1)(b). AFC violated or
19 failed to comply with WAC 460-24A-220(11), in violation of RCW 21.20.110(1)(g). Such
20 conduct constitutes a ground for the entry of an order under RCW 21.20.110(1) to restrict or
21 condition the investment adviser registration of AFC and to impose a fine.
22

23 7. As set forth in the Findings of Fact, Adams violated RCW 21.20.010. Pursuant to
24 RCW 21.20.110(6), as the sole control person of AFC, Adams is also responsible for AFC's
25 violations of RCW 21.20.020, WAC 460-24A-107, and WAC 460-24A-220(11). Such conduct
26

1 constitutes a ground for entry of an order under RCW 21.20.110(1) to restrict or condition the
2 investment adviser representative registration of Adams and to impose a fine.

3
4 **CONSENT ORDER**

5 Based upon the foregoing and finding it in the public interest:

6
7 IT IS AGREED AND ORDERED that Respondents, Adams Financial Concepts, LLC
8 and Alexander Michael Adams, each shall cease and desist from any violation of Chapter 21.20
9 RCW, the Securities Act of Washington.

10 IT IS FURTHER AGREED AND ORDERED that the Respondents, Adams Financial
11 Concepts, LLC and Alexander Michael Adams, shall be liable for and pay a fine of \$10,000.

12 IT IS FURTHER AGREED AND ORDERED that the Respondents, Adams Financial
13 Concepts, LLC and Alexander Michael Adams, shall be liable for and shall pay the costs, fees,
14 and other expenses incurred in the administrative investigation and hearing of this matter, in an
15 amount of \$5,000.
16

17 IT IS FURTHER AGREED AND ORDERED that Alexander Michael Adams and his
18 agents and employees shall not offer, sell or recommend securities issued by any person, as
19 defined at RCW 21.20.005(12), that is owned, controlled, or managed, directly or indirectly, by
20 Alexander Michael Adams or his agents or employees, or by any of his relatives, as defined at
21 RCW 21.20.005(13), without providing all material disclosures in writing prior to offering,
22 selling or recommending such security.
23

24 IT IS FURTHER AGREED AND ORDERED that for a period of 10 years from the date
25 of entry of this Consent Order Alexander Michael Adams may not be a principal, officer, or
26 owner of an investment adviser, unless any such investment adviser files with the Securities

1 Division a written statement that the investment adviser shall be prohibited from having custody,
2 as defined at WAC 460-24A-005(1), of any client's funds or securities. This provision shall not
3 apply to the investment adviser's ability to directly deduct advisory fees from client accounts, as
4 long as the investment adviser complies with all applicable custody requirements.

5 IT IS FURTHER AGREED that the Securities Division has jurisdiction to enter this
6 Consent Order.

7 IT IS FURTHER AGREED that Respondents, Adams Financial Concepts, LLC and
8 Alexander Michael Adams, entered into this Consent Order freely and voluntarily and with a full
9 understanding of its terms and significance.

10 IT IS FURTHER AGREED that in consideration of the foregoing, Respondents, Adams
11 Financial Concepts, LLC and Alexander Michael Adams, each waived their right to a hearing
12 and to judicial review of this matter pursuant to RCW 21.20.440 and Chapter 34.05 RCW.
13
14

15
16 WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE

17 SIGNED this th 20 day of February, 2014.

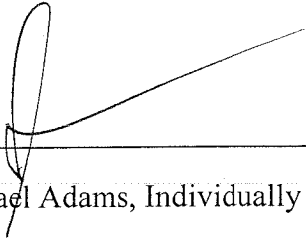
18
19 Signed by:

20 ADAMS FINANCIAL CONCEPTS, LLC

21
22
23 By: _____

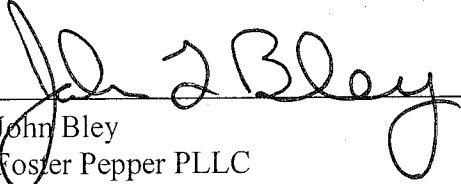
24 A. Michael Adams, Manager

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Alexander Michael Adams, Individually

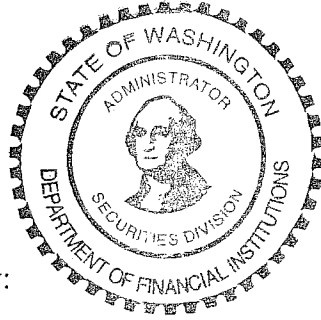
Approved for entry by:




John Bley
Foster Pepper PLLC
Attorneys for the Respondents

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SIGNED AND ENTERED this 26th day of February, 2014.

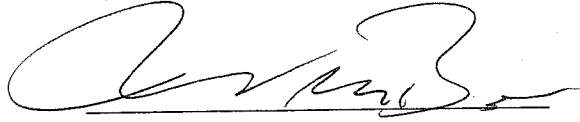


Approved by:


Suzanne E. Sarason
Chief of Enforcement

Reviewed by:


Robert Kondrat
Financial Legal Examiner Supervisor



WILLIAM M. BEATTY
Securities Administrator

Presented by:

Janet So
Financial Legal Examiner